

30 December, 2024

PICK OF THE MONTH

VOL-10, NO-15

Industry: Animal Feed

Ajooni Biotech Limited

BUY

CMP: Rs.07

TARGET PRICE: Rs.12

TIME : 12 months

**Ajooni Biotech Limited (ABL)**, established in 2010, is a leading provider of **pure veg animal feed** and feed supplements in India. With strong pan-India distribution network and cutting-edge manufacturing facilities, ABL offers high-quality products that cater to the entire life cycle of animals. It has achieved various certifications, including ZED gold process, MSME competitive (lean) scheme, ISO 9001:2015, and ISO 14001:2015. The company has built relationships with key customers including IFFCO Kisan, Patanjali, Mother Dairy etc. It has strong domestic presence in 13 states and international presence in 3 countries. ABL aims to expand its B-2-C market and strengthen its position as a preferred partner for contract manufacturing.

**We expect** ABL to drive growth through its focus on innovation, quality, customer-centricity, production optimization, product profile expansion and new market ventures. ABL is poised for sustainable long-term growth via comprehensive feed range, focus on operational efficiency, geographic expansion, and strategic partnerships. The anticipated and successful initiatives for **Moringa** can translate ABL into an attractive investment opportunity.

**We initiate coverage** on ABL with a BUY rating and TP of Rs12 (17.5x Mar'26E EPS of Rs0.7). Any strategic or key changes in GOI policies can be a boon or bane for the growth of ABL.

**Strong Foundation:** ABL has strategically located plants with an installed capacity of ~57,000MTPA for animal feed and ~3,000MTPA for dry powder supplements. ABL specializes in offering high-quality, pure veg cattle feed and supplements that cater to the dietary needs of cattle which are designed to promote healthy growth, improve fertility, and enhance overall well-being in cattle.

**Business Strategies:** ABL is focused on improving operational efficiencies and enhancing brand recognition through strategic partnerships and establishing a robust dealer/distribution network. Additionally, the company is setting up a new plant in Punjab with a planned capex of ~Rs165mn, which will be eligible for various government incentives, including interest subvention, capital subsidy, tax exemptions etc.

**Contracts and More:** ABL has been expanding its presence globally; the company is exploring opportunities in Africa, South Asia, and the Middle East. ABL has secured several significant agreements with a number of key players in India.

**R&D:** ABL is committed to R&D to create cost-effective, and research-based healthcare solutions. It has collaborated with leading universities and scientists to develop products tailored to farmers' needs. It's R&D process involves theoretical inputs, product development, in-house testing, and field trials supported by professionals from reputed institutions.

SNAPSHOT	
52 week H/L	Mcap (INR mn)
10/4	1,223
Face value: 2	
BSE Code	NSE CODE
-	AJOONI

Shareholding Pattern as on 30th Sept, 2024		
Parameters	No of Shares	%
Promoters	46,324,766	26.8
Institutions	492,989	0.2
Public	125,425,843	72.8
TOTAL	172,243,598	100.0

Quarterly Performance				
Parameters (Rs mn)	Dec-23	Mar-24	June-24	Sept-24
Sales (Net)	201	196	257	257
EBITDA	(7)	16	10	8
EBITDA (%)	(3.3)	8.1	3.8	3.0
Other Income	16	3	0	3
Interest	1	1	2	1
Depreciation	2	2	2	2
PAT	4	9	5	6
Equity (Rs mn)	175	175	344	344

Source: Annual Report, Progressive Research

Annual Performance				
(Rs mn)	FY22	FY23	FY24	FY25E
Total Revenue	740	745	801	1,066
EBITDA	31	28	22	53
EBITDA (%)	4.2	3.7	2.8	5.0
Other Income	0.4	3	22	11
Interest	5	5	6	5
Depreciation	11	10	9	12
PBT	15	16	30	47
PAT	10	11	22	36
Equity (Rs mn)	100	175	175	344
EPS (INR)	0.2	1.9	0.2	0.4

Ratio Analysis				
Parameters (Rs mn)	FY22	FY23	FY24	FY25E
EV/EBITDA (x)	41.5	46.0	55.5	23.3
EV/Net Sales (x)	1.7	1.7	1.5	1.2
M Cap/Sales (x)	1.7	1.6	1.5	1.1
M Cap/EBITDA (x)	39.8	44.2	54.7	23.0
Debt/Equity (x)	0.3	0.1	0.1	0.0
ROCE (%)	11.0	6.6	8.1	10.4
Price/Book Value (x)	0.4	1.5	1.5	1.9
P/E (x) (TTM)	6.6	7.2	32.6	34.1

Note: Data calculated as on 27th Dec, 2024

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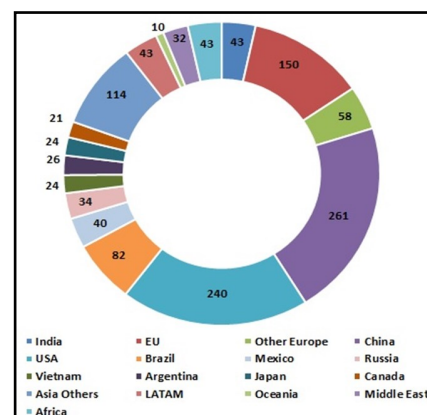
TIME : 12 months

## Industry Overview:

**Global Animal Health Market:** was valued at ~USD62.4bn in 2023 and is projected to grow at a CAGR of ~9.0% from 2024 to 2030 (as per grandviewresearch). The industry has companies ranging from large corporations to small and medium-sized enterprises which try to specialize in particular areas or products. In addition to this, the industry is also seeing some consolidation as larger companies acquire other market players to boost their portfolios and capabilities. As per International Feed Industry Federation (IFIF), the global commercial feed manufacturing generates an estimated annual turnover of ~USD400bn with commercial production or sale of manufactured feed products in more than 130 countries which directly employ ~2.5 lakh skilled workers, technicians, managers and professionals. While at the same time, the **global feed additives market** is witnessing growing trends owing to rising demand for natural additives, focus on gut health & probiotics, antibiotic alternatives & phytogenics, precision nutrition and personalized diets, sustainable sourcing and eco-friendly additives etc.

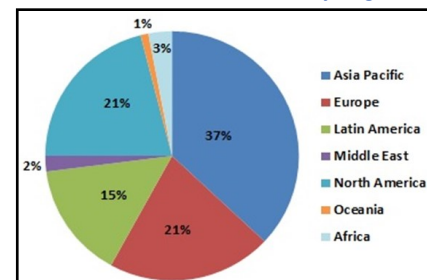
The **Indian animal health** market is witnessing a surge in demand for veterinary products and services. The growing significance of animal welfare standards as well as global regulatory initiatives is helping reshape the industry. Coupled with this, the evolving consumer preferences, technological advancements, R&D initiatives, and regulatory imperatives add to the growth of the industry. There are many players who are working on eliminating the diseases/issues at the grass root level which essentially involves the quality of feed given to the livestock population. As per many newspaper and research articles, India has **shortage of animal fodder** where the Department of Animal Husbandry and Dairying (DAHD) has been trying to augment efforts made by state governments to enhance fodder availability. The ICAR-Indian Grassland and Fodder Research Institute (IGFRI), Jhansi estimates a deficit of ~11-32% and ~23% for green and dry fodder, respectively, in India. To address the shortage of fodder, GOI has implemented a scheme named National Livestock Mission (NLM) which has a sub-mission named as Fodder and Feed Development. In addition to this, GOI has also introduced new constituents i.e. establishment of seed processing and grading entrepreneurs and fodder production from non-forest wasteland/ rangeland/non-arable land and degraded forests lands.

Exhibit 01: Global Feed Production (MT)



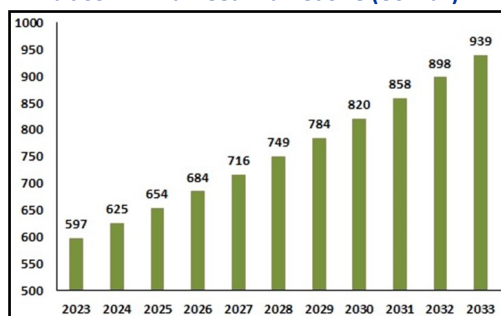
Source: IFIF Global Feed Statistics, Progressive Research

Exhibit 02: Feed Production by Region



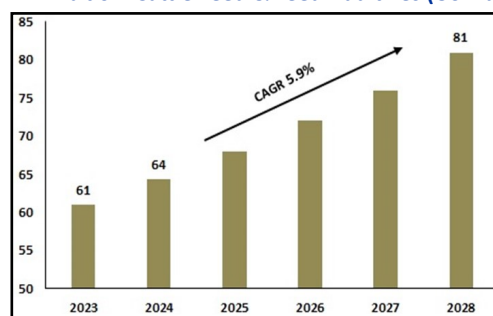
Source: IFIF Global Feed Statistics, Progressive Research

Exhibit 03: Animal Feed Market Size (USD bn)



Source: Vision Research Report, Progressive Research

Exhibit 04: Cattle Feed & Feed Additives (USD bn)



Source: The Business Research Company, Progressive Research

**Indian Animal Feed Market:** India is one of the largest feed producers in the world. **Animal feed** is critical in maintaining the health, productivity and overall well-being of cattle, poultry, and aquaculture animals. It includes raw, processed and semi-processed products and most common feeds include pasture grasses, cereal grains, hay, silage crops and also by-products of food crops, like brewers' grains, pineapple bran, sugar beet pulp etc. In modern times, these products are formulated with the help of nutritional additives, like vitamins and minerals, to maintain the overall health of animals and improve the quality of various end-products. The **high cost and instable supply** are prompting industry players to shift to more sustainable and cost-effective ingredients. The Indian animal feed sector is gradually, but steadily developing with a view to contribute to the stable domestic demand for animal feed. The National Dairy Development Board (NDDB) is estimating that India's fluid milk production can reach ~212.7MMT in 2024, up by ~3% from 2023. Thus, the rising demand for animal feed can be anticipated which can compel the feed makers to expand their operations, innovate products, and contribute to the long-term development of the industry. **South Indian states** have the most significant share in Indian animal feed market and is estimated to grow at a CAGR of ~8.8% till 2032. Here, cattle are raised for their milk since Hindu culture dominates India and considers bovine animals to be sacred. Large production volumes enable increased milk consumption which can benefit the feed market. **West Indian states** are anticipated to exhibit a CAGR of ~9.1% for the forecast period from 2018-2032. West Indian states like Goa, Gujarat, Maharashtra, and Rajasthan have had the highest share in cattle feed output, followed by the north, south, and east.

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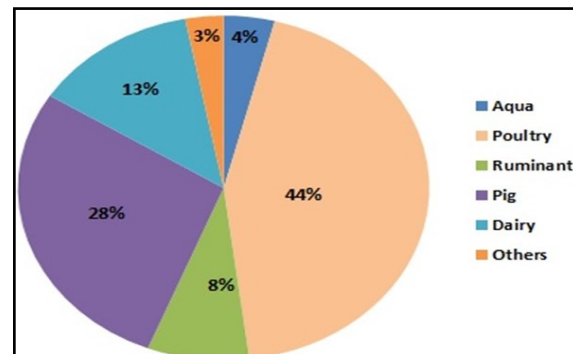
TIME : 12 months

## Industry Overview (contd.):

**Cattle Feed Market:** as mentioned by Future Market Insights (FMI), the market's current valuation stands at ~USD83.4bn in 2024 and is anticipated to rise to a valuation of ~USD127.8bn by 2034. This market is expected to see growth owing to the increase in the need for nutrients (to improve cattle performance) and raise their nutritional value. As the demand for meat and milk is increasing worldwide, people are becoming more concerned about the well-being and productivity of their cattle. Many researchers are working towards changes in feed formulation with **focus on advances** in science and technology of animal nutrition, improved feed conversion efficiency, modifications to food safety regulations and prohibitions on specific feed additives to improve the overall herd health. The market for cow feed is anticipated to increase which can necessitate the development of more effective and nutrient-dense cattle feed. Some of the key players dominating the global cattle feed market include Applegate Livestock Equipment Inc., Provita Eurotech Ltd, J.R Simplot Company, National Farms, V. H. Group, Royal DSM N.V., Caprock, BASF SE, Godrej Agrovet, ADM, etc. Some of the growth drivers for animal healthcare products include growing population and food demand which translates into growing demand for livestock, high global livestock population, the shift from unorganized livestock farming to organized, growing demand for pure veg animal nutrition and high demand for pure veg animal healthcare products. India is amongst the highest milk producing countries and many MNCs are trying to venture into the Indian market for establishing milk production facilities.

In India, the cattle feed market can expand due to government **initiatives and policies** that support animal husbandry. The same can support sustainable and profitable livestock production via effective feed management practices, risk management strategies, and diversified feed ingredient sourcing. The dairy industry has immense opportunities in India and the cattle feed market is anticipated to grow at a CAGR of ~8.2% till 2034. The high demand for cattle feed is seen as it supports milk production, enhances animal health, and also improve the quality of dairy products. The expanding dairy sector in the country can contribute significantly to market expansion in the upcoming years. Some of the major **cattle feed market challenges** include difficult and expensive regulatory requirements; difficulty in budgeting/gauging and planning feed expenses due to price volatility of key components for cattle feed like grains, protein meals and supplements which are subject to market fluctuations, cutting resource inputs, eliminating waste, etc. **Feed ingredient shortages** and cost changes can affect feed makers' production schedules, formulation consistency, and pricing strategies which results in operational issues and margin pressure. High feed component costs can increase the overall production costs for livestock, poultry, and aquaculture products, thus reducing farm profitability and consumer affordability.

Exhibit 05: Global Feed Market as % of Species



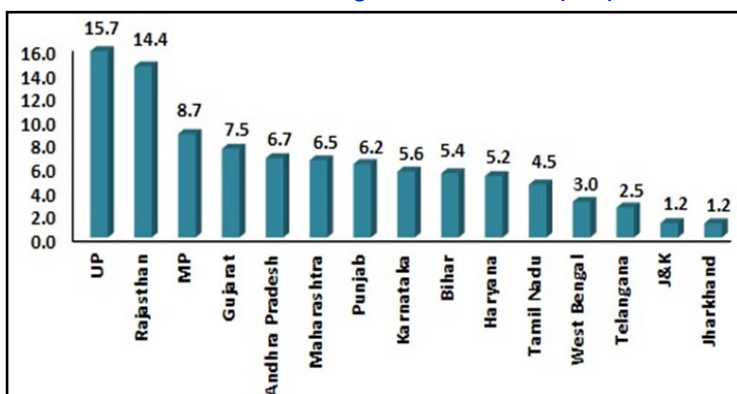
Source: IFIF Global Feed Statistics, Progressive Research

Exhibit 06: Milk Production and Per Capita Availability in India



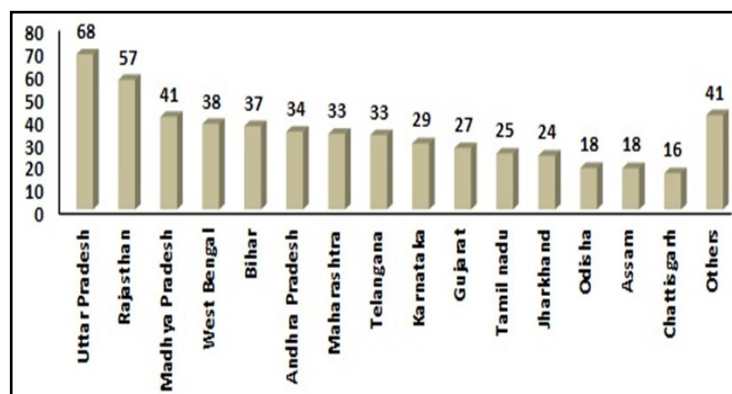
Source: DAHD Annual Report 2023-24, Progressive Research

Exhibit 07: Share of Milk Producing States for FY22-23 (in %)



Source: DAHD Annual Report 2023-24, Progressive Research

Exhibit 08: Total Livestock Population (in mn)



Source: DAHD Annual Report 2023-24, Progressive Research



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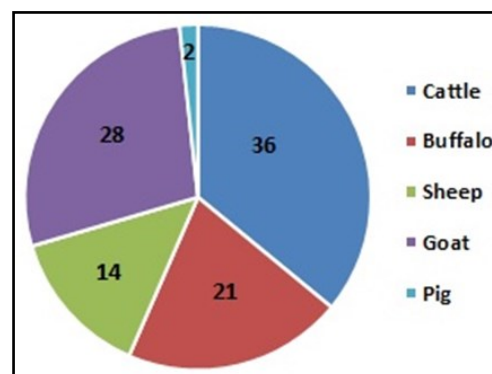
TIME : 12 months

## Industry Overview (contd.):

### Cattle Feed Market (contd.):

The **concentrate foods segment** (which has higher nutritional density) is anticipated to account for a market share of ~43.5% in 2024. It has concentrated protein, energy, vitamins, and minerals for cattle development, reproduction, and general health. Owing to this, the concentrate feed provides the cattle with the nourishment particularly during times of high growth or output like lactation or fattening as a result of which the producers of livestock benefit from increased productivity and profitability. The **pelleted form** of cattle feed is expected to have a share of ~33.9% in 2024. The pelleted feed helps in uniform absorption of nutrients in the cattle as compared to loose or unprocessed feed. The vital nutrients, vitamins, minerals etc. that are balanced in each pellet give the animals a comprehensive and consistent diet. Pellets are consistently sized and shaped, thus the cattle are less likely to engage in selective feeding, which reduces feed loss, increases feed efficiency and benefits producers from lower feed costs and increased profitability.

Exhibit 09: Share of Major Species (in %)

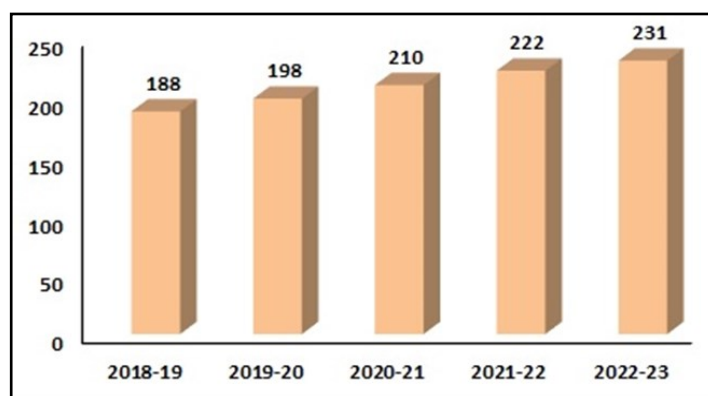


Source: Agriculture, Vikaspedia, Progressive Research

**India Livestock Overview:** The importance of the livestock sector in the Indian economy has come to surface as the state and central governments have realised the significance of employment generation for farmers and those involved in animal husbandry. India is having the largest cattle population in the world where it is projected to see ~4.6% growth (translating into a market value of ~USD15.4bn by 2028 which was ~USD11.3bn in 2021). This growth highlights the substantial **opportunities still unexplored** in the feed industry. In addition to this, India ranks amongst the top global milk producing countries where the milk yield is far below the global averages. India is ranked first in milk production contributing to ~25.0% of global milk production. As per research, cattle feed is the main component for the cost of milk where the current levels of feed production are below market capacity. Milk production in India has been growing at an annual growth rate of ~6.0% over the past 9 years with per capita availability of ~459 grams per day. Some of the factors that have led to this low consumption includes the lack of modern techniques, lack of scientific methods, competition from the unorganized sector, etc. As per the latest research data, the highest milk-producing states in the country include Uttar Pradesh, Rajasthan, Madhya Pradesh, Gujarat and Andhra Pradesh, contributing ~53.0% of total milk production in India. The Compounded Cattle Feed (CCF) industry is experiencing rapid growth across India which is particularly witnessed in the rural regions and is indicating significant potential for branded cattle feed products. While there are a number of players who are working towards manufacturing pure veg cattle feed, the industry is anticipated to boom in times to come. The industry is gradually seen transitioning into a more organised system with the help of GOI initiatives, though the majority of feed production remains fragmented. As India continues to have a significant livestock population which is projected to grow at a steady state of ~4.6%, the Indian cattle feed industry has considerable growth potential. The key players in Indian animal feed market include Anmol Feeds Pvt. Ltd., Avanti Feeds Ltd., Cargill Incorporated, Godrej Agrovet Ltd, Grobest Feeds Corporation India Ltd., Growel Feeds Pvt. Ltd., Japfa Comfeeds India Pvt. Ltd. (Japfa Ltd.), Kapila Krishi Udyog Ltd., KSE Ltd., SKM Animal Feeds & Foods (India) Pvt. Ltd, Suguna Foods Pvt. Ltd, The Waterbase Ltd., Uno Feeds, Venkateshwara Hatcheries Pvt. Ltd.

**GOI Initiatives:** The GOI is playing a greater role in promoting the growth for cattle feed coupled with corporate investments. GOI has been proactive in endorsing the use of quality feeds with initiatives aimed at fortifying the sector with notable collaborations between entities like ABIS Exports India Pvt. Ltd, the Asian Development Bank, and other entities that can underline the significance of financial and educational support to the farmers. With all these developments, the attention towards **mushrooming cattle feed market**, propelled by the dairy industry's inclination toward high-yielding cattle and government subsidies is also in focus while looking at diverse aspects of the animal feed market encompassing fodder and forage, compound feed, along with feeds for swine, aquatic animals, cattle, and poultry. Amongst these, the cattle feed market is emerging as a profitable segment.

Exhibit 10: Growth of Milk Production (MT)



Source: DAHD Annual Report 2023-24, Progressive Research

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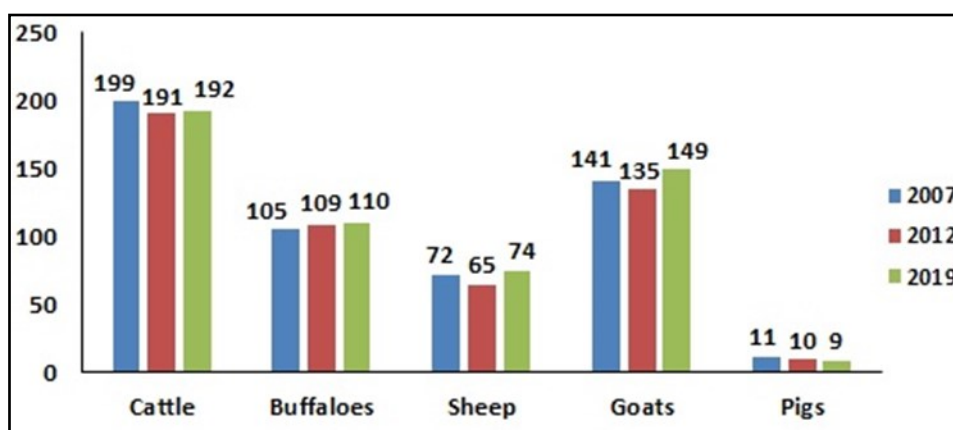
TIME : 12 months

## Industry Overview (contd.):

### GOI Initiatives (contd.):

The new cabinet has been working on relaunching or revamping the *Rashtriya Gokul Mission* (RGM), Animal Health System Support for One Health (AHSSOH) and a convergence framework for the NFM. The main goal is to address issues like low availability of feed and fodder (especially during the summer season), poor livestock health weighing on milk productivity and indigenous breeds falling short as well as to attract more farmers to dairy farming; the launch of these schemes will require ~Rs80bn. The scheme is continued under revised and realigned schemes of the department from 2021-22 to 2025-26 with an allocation of ~Rs24bn. The merging of the plan for the NFM is expected to bring agriculture and rural development ministries on board. It aims to focus on production, storage and processing for increased availability of dry and green feed/fodder on an additional ~10,500 hectares of land. AHSSOH will focus on animal health to prevent animal microbial resistance which is a part of the animal health initiative as green fodder availability during the summer season drops and livestock fall sick resulting in productivity loss. The revamped RGM scheme is also expected to bolster development and conservation of indigenous bovine breeds with a vision to make milk production more remunerative to farmers. Agriculture, rural development ministries and state governments are working separately on increasing fodder availability via seed development, feed, green fodder and dry fodder which need to be converged to fetch better output. The NFM convergence framework is expected to be an extension/component of the government's existing NLM mission to try and increase fodder cultivation on additional non-forest, non-arable land of ~10,500 hectares to produce ~52,500 tonnes of fodder. Along with the assistance for production of quality fodder seeds, availability of fodder storage and processing facilities are expected to be provided by GOI.

Exhibit 11: India's Livestock Population 2007-2020 (in mn)



Source: ABL Oct 2024 PPT, Progressive Research

**Gujarat** has been participating under RGM since the inception of the scheme where some of the notable achievements are seen including the nationwide artificial insemination program, progeny testing and pedigree selection, multi-purpose artificial insemination technicians in rural India (MAITRIs) and strengthening of semen station. In addition to this, recently, in November 2024, the state of **Telangana** has been asked to study/launch a 5-year action plan of free fodder for livestock farmers. Across the state, the animal husbandry department is expected to provide approvals for a total of 412 projects under the National Livestock Mission Entrepreneurship Development Programme (NLM-EDP).

The **main objectives** of NLM were to enhance fodder availability, accelerate fodder production, encourage research & capacity building, skill development, technology dissemination, conservation of indigenous breeds, promoting innovation & pilot projects, infrastructure development, disease control & environmental sustainability and community participation. In addition to this, the sub-missions to effectively execute the objectives of the NLM, included breed development of livestock & poultry, feed and fodder development, technology transfer, innovation, and extensions. The sub-missions are aimed at promoting and gearing the institutions, universities, and organizations engaged in R&D related to feed and fodder, extension services, livestock insurance and innovation for various livestock species.

Under the NLM of DAHD, GOI has been working on training on all aspects of **animal husbandry practices** including animal feed production since 2021-2022. In addition to this, state Animal Husbandry Departments, National Dairy Development Board, Veterinary Universities and Indian Council of Agricultural Research institutes have been providing guidance to farmers and entrepreneurs to manufacture packaged animal feed products such as pellets, complete feed, area specific mineral mixture etc. Knowing that, animal husbandry is a state subject, the state governments have the responsibility to carry out subsidized schemes for dairy producers and try to make animal feed at lower prices. While at the same time schemes implemented by the Central Government also enable increased availability of animal feed at lower rates.

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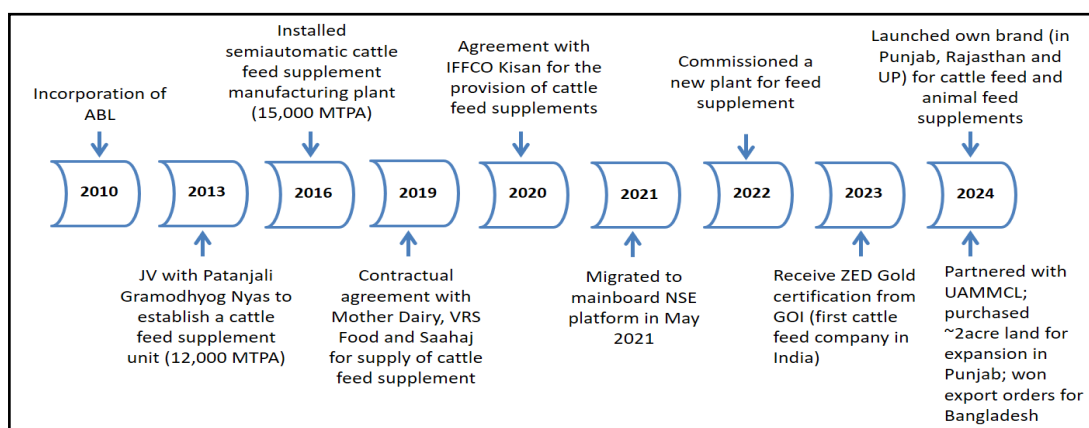
## Industry Overview (contd.):

### GOI Initiatives (contd.):

The **Compound Feed Manufacturers Association (CLFMA)** of India is the apex organization of the country's dynamic livestock sector which is recognised by livestock farmers, Central & State governments, agricultural universities, research institutes as well as the related sectors. The CLFMA acts as a catalyst for strengthening fisheries, animal husbandry, and dairying sectors with brighter opportunities in promoting technological innovation and responsible farming practices. The **White Revolution** or Operation Flood which was driven by Dr. Verghese Kurien, had marked an epic shift in India's dairy industry. The industry had seen a transition from being a low-output system to becoming the world's largest milk producer. In recent years, many players and industry veterans have also realised that India's dairy production faces challenges like low productivity per cow due to poor nutrition and the use of low-yielding breeds, hence the GOI has recently introduced **White Revolution 2.0**, which is a top-up to further transform the dairy co-operative sector. It aims to enhance the dairy industry by boosting production, promoting better management practices, and ultimately increasing farmers' incomes. In order to expand its international reach, Indian dairy needs to address quality issues related to bacterial contamination, adherence to Maximum Residue Limits (MRLs), temperature control issues with special emphasis needed on the adoption of AI and IoT technologies. GOI has been focusing on technological advancements in dairy production, evaluating innovative feed formulations to improve nutritional efficiency, adopt advanced monitoring systems for health & productivity, formulating a comprehensive roadmap to modernize India's dairy sector, address current inefficiencies and position the ecosystem for future growth. While one also needs to understand the fact that, if the selling price per litre of milk is increased, the same will allow the farmers to have some surplus money, which will in turn allow them to buy better feed/supplements for the cattle.

**About the Company:** Established in 2010, Ajooni Biotech Limited (ABL) is one of the leading **pure veg animal feed**, animal healthcare and feed supplements provider dedicated at improving the productivity of dairy farmers with focus on increasing livestock yields. It is involved in the compound, pure veg animal feed and pure veg feed supplements with a portfolio of wide range of quality feed products. Its portfolio has cattle feed, feed chips, camel feed, cotton oilcake, mustard oilcake and wide range of feed supplements to cover the entire life cycle of an animal. ABL is **India's first pure veg cattle feed** company to have **Zero Effect, Zero Defect (ZED)** gold process under the Prime Minister Make in India initiative. In addition to this, ABL is India's **first pure veg cattle feed supplement** company to have MSME Competitive (Lean) Scheme (MCLS) Certification. It is registered with Department of Dairy Development, Govt of Punjab (India) and is India's first Good Manufacturing Practices (GMP) certified cattle feed company with ISO 9001:2015 (Quality Management System) ISO 14001:2015 (Environment Management System), ISO-45001:2018 (Occupational Health & Safety Management System). ABL is registered with Bureau of Indian Standards (BIS) and manufacturing ISI Mark animal feed. The company has a number of **affiliations** with Confederation of Indian Industry (CII), Compound Livestock Feed Manufacture's Association of India (CLFMA), Chamber of Industrial & Commercial Undertaking (CICU), Knowledge Chamber of Commerce and Industry (KCCI) etc. Over the decade, ABL has built **mutually beneficial relationships** with esteemed milk societies and milk processing companies. The **key customers** of the company include IFFCO Kisan, Patanjali, Paras, Mother Dairy, Saahaj, Balinee, Sakhi etc. Other than ABL, there are very few companies in the organized space which are into the pure veg cattle feed and supplement feed in India. Recently, the company has started its **own brand**, which will help to enhance product quality, control pricing and boost customer satisfaction. ABL has domestic presence in 13 states including J&K, Himachal Pradesh, Punjab, Haryana, Rajasthan, Uttar Pradesh, Gujarat, Bihar, Madhya Pradesh, Telangana, Andhra Pradesh, Karnataka and Tamil Nadu as also international presence in 3 countries. ABL currently has 3 manufacturing units in India. The company has started exploring B-2-C market and has appointed ~100 dealers across India and is planning to have ~300 distribution points by end of FY25 in order to boost the own brand of Ajooni. Mr. Jasjot Singh is the Managing Director and CFO of the company.

Exhibit 12: Milestone



Source: ABL AR2024, Progressive Research



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## About the Company (contd.):

ABL also has a robust **contract manufacturing footprint** while serving as a preferred partner for some prominent clients. The proportion of this business to the total turnover is currently very small, however the Management is trying to increase the same while trying to push the **B-2-C business** and products in its own brand. ABL is a **distinguished and organised player** which has high quality products with unique formulations propelled by an experienced Management and R&D team. The company has been offering pure veg animal healthcare products which are manufactured via GMP at certified production facilities with cutting edge fully automatic state-of-the-art manufacturing plant located at Khanna (Punjab). The company has a strong pan-India distribution network with efficient supply chain logistics and strong dealer network. The company is known for its **timely delivery of products** which is facilitated by its highly efficient logistics department; ABL operates its **own fleet of trucks** which are equipped with state-of-the-art GPS systems. ABL is building strategic partnership with **leading brands** in the Indian market for the supply of pure veg feed and feed supplements. The company is also trying to position itself as the preferred choice for multinational companies as a trusted strategic partner for **contract manufacturing**. The company is trying to use IFFCO Kisan Sanchar Ltd (IKSL) network to enter into new domestic markets and also increase presence in the existing markets. The company already has **presence in international markets** of Nepal, Bangladesh and Sri Lanka and is planning to explore export opportunities in other Asian countries.

## Investment Rationale:

### (A) Strong Foundation:

The manufacturing plants of the company are strategically situated in Khanna region of Punjab which is the **largest grain market** in India, ensuring easy access to high quality raw materials. The company has 2 plants dedicated to cattle feed and 1 plant dedicated to the supplements business. The company has an installed capacity of ~57,000MTPA (animal feed) and dry powder supplement capacity of ~3,000MTPA with an ambitious plan to replicate the overall same capacity. In addition to this, the company has a supplement capacity ~55LPY. ABL is **BIS approved** with state-of-the-art in-house laboratory equipped with modern testing and validation facilities for enabling rigorous quality control. The company has an experienced technical team which provides round the clock support to farmers. The raw materials are stored in hygienic and controlled environments which ensures optimal product quality and efficiency. ABL is a **GMP certified** company and first cattle feed company of India to get Zero Defect, Zero Effect certification (**ZED gold certification**). The company is ISO-9000, ISO-45000 and ISO-14000 certified while manufacturing ISI Mark animal feed. ABL is using modern technologies for operations such as ERP and effective logistics systems. The company has a blend of semi-automatic and some parts are fully automatic plant for the programmable logic controller (PLC) operated plant; most of the local competitors are not using these kind of machineries for feed manufacturing business. ABL is also coming up with **medicated feed** that are formulated to prevent diseases and maintain feed efficiency. As a result of these initiatives, ABL is slightly ahead of its competitors.

Some of the benefits of pure veg cattle feed and supplements include,

- (a) **Holistic Nutrition:** as the pure veg cattle feed contains protein, minerals, vitamins and other vital nutrients; a blend of these nutrients helps digestion, tissue repair, provides optimum nutrition for high productivity cattle and other daily activity requirements in cattle
- (b) **Promotes Growth:** as pure veg cattle feed contains essential nutrients in the right proportions which aid specific nutritional requirements and supplements/enhances weight of the cattle
- (c) **Improved Milk Production**
- (d) Addresses **nutritional needs** of pregnant cows, calves and heifers

Exhibit 13: Manufacturing Facility



Source: ABL AR2024

Exhibit 14: Manufacturing Facility



Source: ABL AR2024

30 December, 2024

PICK OF THE MONTH

VOL-10, NO-15

Industry: Animal Feed

Ajooni Biotech Limited

BUY

CMP: Rs.07

TARGET PRICE: Rs.12

TIME : 12 months

## Investment Rationale (contd.):

### (A) Strong Foundation (contd.):

ABL specializes in offering high-quality, pure veg cattle feed and supplements that cater to the dietary needs of cattle which are designed to promote healthy growth, improve fertility, and enhance overall well-being in cattle. In June 2024, the company expressed its **intensions to enter Gujarat market** for supply of pure veg cattle feed to *Gaushala* in Gujarat. The first order has already been delivered to *Shree Goga Maharaj Gir Gaushala*. With this, the company expects to reach other Gaushala's for supply of cattle feed in near future. To achieve better revenues, the company is in process of strengthening its dealers and distributors network in Gujarat coupled with a high-performing team who will help reach more customers, increase market share and provide better services to clients. In addition to this, the company has also entered the markets of Himachal Pradesh, Punjab, Haryana, Rajasthan, UP, Bihar etc. ABL already has a **strong contact manufacturing** presence and a count large of corporates among its customers. In order to expand its business and customer base, the company has started dealing in its **own brand**, which can help enable greater control over quality, pricing and customer satisfaction with better competitive edge. The company is entering the **B-2-C market**, which will allow ABL to reach individual consumers directly and also offer them a wider range of products and services. All these efforts are anticipated to improve the top-line as well as the bottom-line of the company. The company has also appointed a team of veterinary doctors who work closely with marketing team to ensure the highest standards of pure veg animal health and welfare. This will help the team expertise in developing innovative products and services that cater to the needs of farmers.

Exhibit 15: Product Portfolio (Cattle Feed)



Source: ABL Oct 2024 PPT

### (B) Business Strategy and Future Plans:

The company is continuously striving hard to improve the already existing operations and tweaking some strategies to fetch better profitability and scalability. In pursuit of the same, the company is focusing on improving operational efficiencies via **economies of scale** to have profitable bottomline line. ABL is also looking at penetrating **new catchment areas** while targeting new customers in the domestic markets, deepen the company's presence in already existing markets and also establish presence in the international markets. The Management team is also looking at identifying strategic partners whose resources, capabilities, technologies or strategies are complementary to those of ABL and establish presence in newer geographical locations. The company continues to work in order to enhance its brand recognition by targeted brand building efforts and promotional initiatives. The company has already started laying efforts to work on **backward integration** while trying to collaborate with Farmer Producer Organizations-FPO (for direct procurement of raw materials), establishing partnerships with the liquor/sugar industry to secure supply of molasses and Distiller's Dried Grains with Soluble (DDGS), engaging with food processing industries to procure their residuals as well as enhance the supply chain management to strengthen operations. In addition to this, the company is also working towards **forward integration** while trying to establish partnerships with milk co-operative societies (to facilitate milk collections), formalise agreements with milk producing companies to handle milk processing operations, implementing precision diets tailored for dairy farmers and offering mobile veterinary services to dairy farmers to enhance animal health. Additionally, the company is also trying to establish a robust **dealer and distribution network** to promote its own brand in the domestic market. Since the pure veg cattle feed is a bulky item it is viable to export the same to neighboring countries like Bhutan, Nepal, Bangladesh, Sri Lanka and other Asian countries. The company is actively exploring export opportunities in the Middle East, African countries and other Asian countries. Recently, ABL has also launched **pure veg camel feed**, which has good scope for export to UAE, Qatar, Saudi Arabia and other Middle Eastern countries.



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## Investment Rationale (contd.):

### (B) Business Strategy and Future Plans (contd.):

The company is looking at establishing a **new plant** on a fresh industrial plot admeasuring ~87,000 sq. ft (~1.99acre) of area at G.T. Road in Khanna, Punjab (adjacent to the existing plant) with a planned capex of ~Rs165mn. The state government is playing a key role in providing aid/assistance programs as well as subsidies.

This new unit is expected to be eligible for a number of incentives like:

**Interest Subvention Scheme:** 3% interest subvention to cattle feed industry is offered by Ministry of Animal Husbandry Infrastructure Development Fund, (AHIDF) GOI

**National Livestock Mission Scheme:** offers capital subsidy of ~Rs50 lakhs by GOI

**GST exemption:** 100% GST is exempted to cattle feed manufacturers

**Property tax exemption:** 100% property tax exemption for 10 years offered by Government of Punjab

**Electricity duty exemption:** for 7 years from the commencement of commercial production offered by Government of Punjab

**Reimbursement of stamp duty:** 100% stamp duty to be reimbursed by Government of Punjab

**Expenses on lab equipment:** reimbursement of expenses to max of ~Rs5 lakhs to be reimbursed by Government of Punjab

**Subsidy on energy audit:** ~75% expenses on energy audit subject to max limit of ~Rs2 lakhs will be offered by Government of Punjab

**Water and safety audit:** ~Rs1 lakh subsidy on water and safety order offered by Government of Punjab

Exhibit 16: Product Portfolio (Supplement)



Source: ABL Oct 2024 PPT

### (C) Key Business Updates:

In July 2024, ABL had received an **order** from India's top 10 dairy supplier for ~Rs49.5mn. The estimated timeline for the completion of this order was ~3 months. In addition to this, the customers have expressed their interest in purchasing cattle feed from ABL. The company is already exporting to 3 countries and also exploring opportunities in other countries as well.

In September 2024, the company was awarded the **BIS certification** and ISI Mark for mineral mixture which is a significant milestone in the journey towards delivering top quality products and highest safety. This is also anticipated to benefit the farmer's community as it ensures access to high quality and reliable products that promote better livestock health with increased productivity.

ABL is committed to foster long term realtionships while providing best quality products to meet the needs of **esteemed clientele**. In October 2024, the company has received an export order from **Avon Animal Health**, Bangladesh (one of the leading companies for Animal Health in Bangladesh) which is involved in high-quality animal health products. Avon will be purchasing the pure veg cattle feed supplements i.e. calcium, mineral mixture, molasweet and rumesin. The company has also specialized in sourcing and promoting effective products for local farmers, serving major breeding companies, commercial farms, and retail operators. The repeat orders from clients not only reflects the trust and confidence in the quality of products manufactured at ABL, but also highlights the commitment of the Management to excellence as well as market expansion.

In addition to this, the company has also signed an MoU with well-established organization, the **Unati Agri-allied & Marketing Multi State Cooperative Society Ltd** (UAMMCL) for 5 states of North India where the focus will continue to be on cattle feed business through forward and backward integration encompassing raw material supply, warehousing, storage, consumer connectivity and R&D.

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## Investment Rationale (contd.):

### (C) Key Business Updates (contd.):

**Contracts and More:** With an objective to expand the brand **AJOONI** in the global markets, in December 2022, the company had executed its **first export order** for supply of Ajooni Cattle feed to Nepal. This product was developed to suit the specific feed requirements of animal species of the semi hilly areas of Nepal and Bhutan to achieve optimal nutrition, gut health and pathogen control of livestock while trying to maximize the profitability of dairy farmers. ABL is also **exploring opportunities** to penetrate its marketing network in international markets of Africa, South Asia and Middle East markets. In the past, the company has entered into deals with,

(a) ABL was a strategic outsourcing partner for **Patanjali Gramodyog Nyas** for manufacturing **Patanjali** brand of cattle feed and feed supplement since 2013

(b) ABL and **IKSL** in Feb 2023, where ABL would manufacture feed supplements for IKSL

(c) In Feb 2023, ABL had submitted a grant application to **Grow More Foundation** in collaboration with Acsen HyVeg (P) Ltd., Gurgaon, Haryana and an Energia Tech s.r.o.in Vienna, Austria and Bratislava, Slovak Republic on Techno Economic Feasibility Analysis of Moringa and Camelina & further enhancement of its cultivation

(d) Contract manufacturing agreement with **Moofarm Pvt. Ltd** (March 2023), for supply of cattle feed and animal health care products for the state of Punjab, Haryana, Rajasthan and Western Uttar Pradesh

(e) In June 2023, ABL showed its intention to start farming **Moringa** which can help generate an additional revenue (~Rs2000mn) over the next 6-7 years on a commercial scale with a pilot project on 10-12 hectares of land

(f) In September 2023, ABL received the **ZED gold certification** from the Ministry of MSME, GOI. The company will continue to focus on saving energy, optimizing natural resources, and expanding its market presence

(g) In April 2024, ABL has signed an agreement with the **National Dairy Development Board (NDDB) Dairy Services** to supply cattle feed and feed supplements to milk producer companies. ABL also received a significant export order from Avon Animal Health, Bangladesh which is a **repeat order** for ABL for exporting cattle feed supplements, including calcium, mineral mixture, molasweet, and rumesin

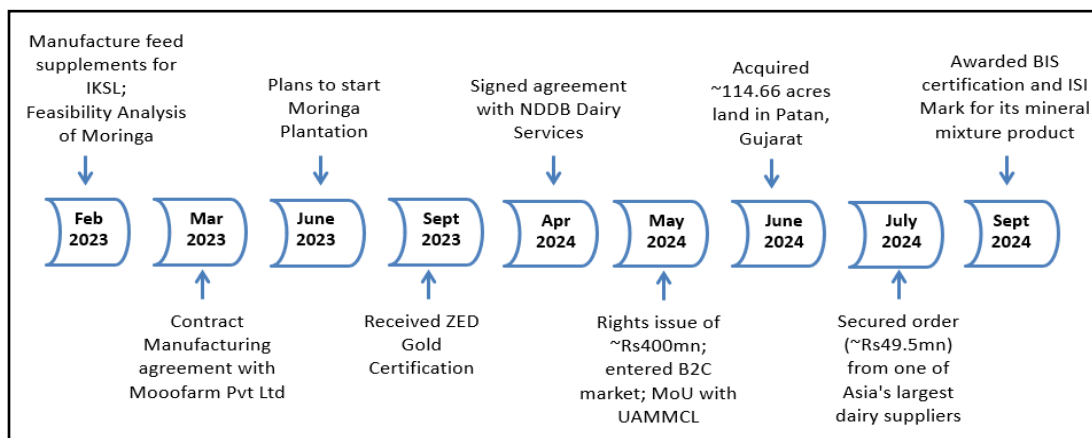
(h) In May 2024, the company had announced **rights issue** of ~Rs400mn, with a ratio of 1:1 at an issue price of Rs5per share for establishing a new plant in Punjab. The company leased ~64,000 square yards of land in Derabassi, Punjab, to cultivate Moringa nursery and plantations. In addition to this, ABL was also looking at expanding its business by launching its own brand, entering the B-2-C market, and strengthening its dealers and distributors network. The company also signed an MoU with UAMMCL to develop pure veg cattle feed and Moringa production. ABL aims to cultivate Moringa on a large scale in Punjab, Rajasthan, and Gujarat, leveraging its nutritional properties to enhance milch animal productivity and contribute to environmental goals and thus leased 75,000 square yards of land in Bikaner, Rajasthan, for the plantation of Moringa

(i) In June 2024, the company acquired land of ~114.66 acres in Patan district of Gujarat for the new project for plantation of Moringa (on profit sharing basis). Additionally, ABL also signed an MoU with a **US based company**

(j) In July 2024, ABL secured an order worth Rs49.5mn from one of Asia's largest and India's top 10 dairy suppliers, reflecting growing confidence in the company's cattle feed and supplements

(k) In September 2024, the company was awarded **BIS certification and ISI Mark** for its mineral mixture product, which underscores the company's commitment to delivering premium quality products in the agricultural sector

### Exhibit 17: Contracts and Agreements



Source: ABL NSE Announcements, Progressive Research

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**(D) R&D:** The company has a wide range of product portfolio including pure veg quality cattle feed, cattle feed chips, camel feed, cotton oilcake, mustard oilcake and also a wide range of feed supplements. ABL is constantly experimenting and working on **developing cost effective** research based different healthcare solutions with the help of leading universities and independent scientists. Coupled with strong focus and track record for R&D, the company is constantly trying to offer products as per the farmers need for livestock. The company follows simple flowchart for R&D like (i) receiving a theoretic input from internal and external study/from contacts with national and international universities, (ii) create high quality and less cost products, (iii) conduct tests at in-house experimental center, and (iv) conducting field tests at dairy farms. The company has professionals from reputed universities, institutions and research firms which support the R&D team. The company has been developing new products which is on continuous basis. The main focus of the R&D team is to develop cost effective products as per the needs of animals and their age as well (as nutrient requirements differ according to age). The company is also focusing on developing **high value products** like pure veg feed supplements, camel feed, bull feed while also trying to improve the current product line as per farmer's requirements.

**Importance of Moringa:** The business related to pure veg cattle feed and supplement feed is more or less running on an **autopilot mode**, and ABL is currently focusing on Moringa. Moringa is regarded as an extraordinary tree as every part of the tree has a number of applications. Its **leaves** are used in nutraceutical industries as raw material, they are anti-inflammatory in nature due to the presence of iso-thiocyanates, they help stabilize blood sugar and are rich in 18 types of amino acids. Moringa **branches** can be shredded in small pieces and used as fodder and when used in pure veg cattle feed it improves the nutritional value of feed, improves the overall health of cattle and increases milk production of the cattle by ~10-15%. Its **oilcake** is a rich source of oil and protein and can be replaced by mustard cake or cotton cake which can help reduce the cost of animal feed. Moringa **oil** is made from crushing its seeds and it can be used to make biodiesel as well as can be used in making aviation oil. The **bark** of the tree can be used to make charcoal and if it is further processed, it can be used in electric vehicle. The company has leased a 64,000 square yard (~13.22 acres) land in Derabassi, Punjab for cultivation of Moringa nursery and its plantation. ABL is the **first Indian company** to introduce pure veg green feed using Moringa as the major ingredient. This green feed or green supplement can boost the milk yield by ~15-25%. Moringa oilcakes, dried leaves and branches serves as excellent quality feed alternative for animals, potentially subsisting costly and limited concentrates. In June 2024, a **US based company and ABL** expressed interest in working together as strategic partners for agri-processing component for the Moringa project by setting up processing plants/crushing and drying mills to process Moringa seeds and leaves. The vision is to produce oil for further processing and marketing **by the US based company** and producing oilcake for animal feed for ABL. The company has already initiated the process of **Moringa cultivation** and undertaken trials of different uses of Moringa. ABL has already initiated the process of Moringa cultivation and undertaken trials of different uses of Moringa.

Exhibit 18: ABL SWOT Analysis

<p><b>Strength</b></p> <p><b>Innovative Product Line:</b> Focus on cattle feed and feed supplements</p> <p><b>Certifications:</b> First company in India to receive GMP, ISO 9001, ISO 14001, ISO 45001, and ZED Gold certifications</p> <p><b>Strong Distribution and Manufacturing:</b> Presence in 13 Indian states and 3 international markets</p> <p><b>Established Clientele:</b> with players like Mother Dairy, Paras Dairy, Sahaaj Dairy &amp; National dairy services etc</p>	<p><b>Weakness</b></p> <p><b>Price Sensitivity:</b> Dependence on third-party raw materials exposes the company to price volatility</p> <p><b>Bleak Brand Recognition:</b> While expanding, ABL would face competition from larger and more established players in the organized feed sector</p>
<p><b>Opportunity</b></p> <p><b>Demand Growth:</b> for organized livestock farming and nutritional feed due to rising awareness among farmers</p> <p><b>Strategic Partnerships:</b> Potential to expand market presence via alliances</p> <p><b>Industry Dynamics:</b> Stricter quality standards in the animal feed sector can eliminate smaller competitors</p> <p><b>Geographical Expansion:</b> Plans to grow distribution to 300 dealers and expand international exports</p>	<p><b>Threat</b></p> <p><b>Environmental Risks:</b> Vulnerability to adverse weather conditions and the impact on raw material supply</p> <p><b>Regulatory Compliance:</b> Stringent regulatory requirements in the animal feed sector</p> <p><b>Competition:</b> Increasing presence of multinational companies in the Indian animal feed market</p> <p><b>Contamination Risks:</b> Potential liability from contamination or adulteration during manufacturing</p>

Source: ABL AR2024, Progressive Research



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CMP: Rs.07

TARGET PRICE: Rs.12

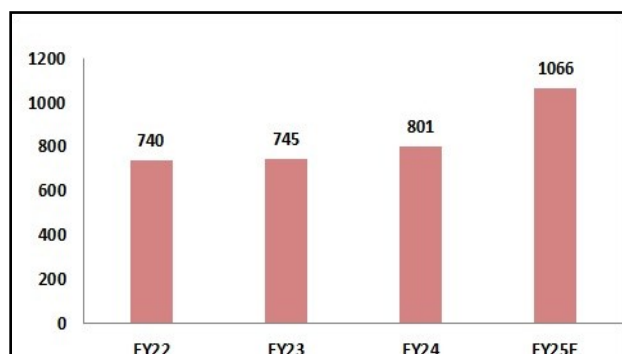
TIME : 12 months

## Financials:

FY24 has been a **transformative period** for the company which was basically characterized by significant progress in **strategic initiatives** as well as growth in profitability. Coupled with this, the growth reflects successful market penetration, increased demand for innovative products, good operational efficiencies and cost management. ABL is looking at **capacity expansion** of pure veg cattle feed and pure veg seed supplemented by another ~60,000-70,000MTPA. This will provide the much needed room to grow the business, revenue and profitability. The company on a blended basis has wafer thin margins in the range of ~3.0-4.0% where nearly ~91-92% is the cost of raw materials. The only way to fetch better Ebitda margins is the **change in product mix** and focus on the **B-2-C business** as well as the shift towards the **supplements** business. The company has shown a growth of ~15.47 % CAGR (FY20-FY24). Since FY22, there has been a slight shift in the product mix which is conducive and margin accretive as well. The current product mix is ~85-87% for the feeds business while ~13-15% for the supplements business. The company has plans to further increase the exposure to the supplements business. The company is working towards trying to increase the product share of higher margin supplements products in the overall revenues. Recently, the **credit rating** of the company has been upgraded to CRISIL BB+/ Stable. The improvement in the financials of the company are a testament to the strategic focus on quality and expansion plans. The Management is implementing several cost **cutting measures** while maintaining product quality, with the integration of Moringa cake expected to reduce feed costs and increase profit margins. **Healthy Biosciences Ltd** is currently a promoter company of ABL and has some RPT but at arms length. The team is also looking at engaging in **direct procurement** from FPOs and co-operative societies, with plans to **collaborate** with large co-operatives in Punjab for the procurement of agricultural residues. ABL intends to participate in government tenders issued by state departments and also try to expand its international market and presence. As the company is exploring opportunities to grow in size it is looking at **raising funds** in immediate future.

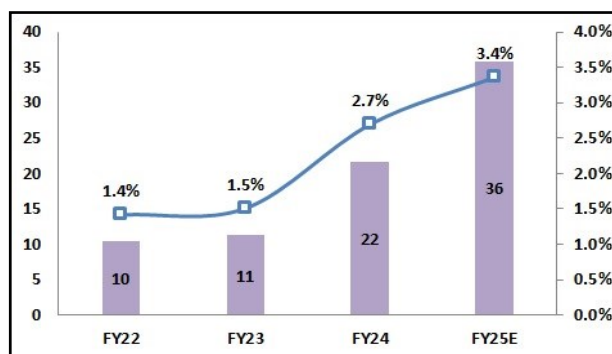
\*The stock is listed only on NSE.

Exhibit 19: Revenue Trend (Rs in mn)



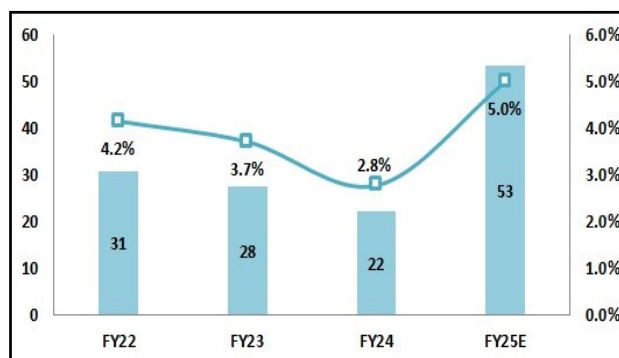
Source: Annual Reports, Progressive Research

Exhibit 20: PAT (Rs in mn) v/s PAT Margins



Source: Annual Reports, Progressive Research

Exhibit 21: Ebitda (Rs in mn) v/s Ebitda Margins



Source: Annual Reports, Progressive Research

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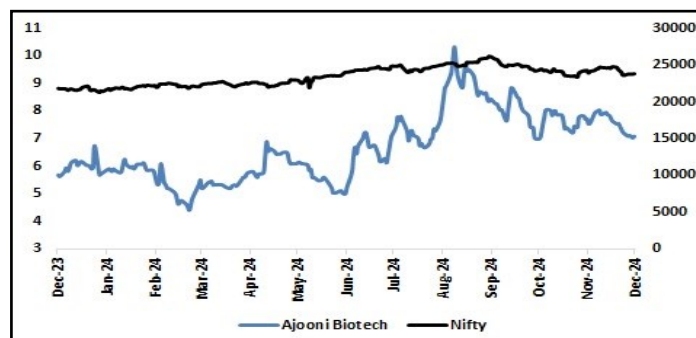
TARGET PRICE: Rs.12

TIME : 12 months

**Risks and Concerns:** The company faces challenges unlike any other player in the feed manufacturing business like general economic conditions, production levels, market demand, competition, production and transportation costs, duties, taxes, and trade restrictions. ABL as well as the Indian food processing industry are not immune to any **global impact** or economic turmoil. There are a number of factors outside the company's control like the cost and availability of raw materials, certain labour shortages, interstate trade movements that could be detrimental to the company's operations. ABL is indirectly exposed to various risks like unfavourable weather patterns/rainfall which can disrupt raw material production and its availability, thus affecting the overall margins. Reliance on **third-party suppliers** for raw materials exposes the company to **price volatility**. Furthermore, the company's products are susceptible to contamination, adulteration, and tampering, which can lead to product liability claims and recalls if **quality standards** are not met. The animal feed business is subject to **seasonality** that could result in fluctuations in performance as the volumes are lower during the monsoons due to the availability of green fodder. This also translates into an opportunity for higher volumes to be served in the **second half** of the year. For the farmers to be able to buy good quality feed/supplements from players like Ajooni, they will need some more cash in their hands which can be offered only via an increase in the selling price of milk. Many of these prices are regulated by the local government and till these measures are not implemented, the farmers will not have additional money for additional spends which can be used to feed the livestock with better and nutritive fodder/supplements. As far as the business related to **Moringa** is concerned, the industry as a whole is dependent on the Government norms related to its classification as forest based produce (under the forest act) or as agricultural produce. If the same is classified as agricultural, then the same can be a **game changer** for Ajooni, till then they will have to outsource the produce from some cultivators.

**Outlook and Recommendations:** ABL is a pioneer, innovator, and front-runner in the Indian animal feed production industry, prioritizing excellence in quality, safety, and production. The primary objective of ABL revolves around optimizing productivity, meeting animals' nutritional requirements as well as attaining an optimal dietary balance. The main focus of the Management is to focus on providing **tailored diet programs** for the livestock, combine innovation to create **value added products**, leverage capabilities to develop cost effective solutions to improve animal productivity, increase income of farmers and also generate value for its stakeholders. ABL's **value creation** is based on the pillars of quality products, customer focus, transparency, continuous improvement and innovation. The Management is trying to improve the **product mix** and the **blended margins** thereof. The Management intends to build and sustain an organization where **innovation** is a key driver. The company continues to focus on field trials for **Moringa** to validate its cultivation processes. Any positive commentary from the GOI related to the plantation or re-classification of Moringa as an agricultural product can change the fortunes of ABL. The business related to cattle feed and supplement feed is more or less running on an **autopilot mode** and any positive developments on Moringa can very easily boost the revenue and profitability profile of ABL. The company is currently a **family owned/family run business** with scope to make the business/operations professional. The animal feed business is subject to **seasonality** as the volumes are lower during the monsoon season (due to the availability of green pastures); as a result the overall volumes served by the company tend to swell up in the second half of any financial year. ABL has a comprehensive **feed range** and has emerged as a significant player in the animal feed industry. The company seems to be gradually moving up the ladder in **White Revolution** while laying emphasis on operational efficiency, geographic expansion, leveraging already existing relations with customers and building new customer relations via brand building and strategic partnerships. These are some of the key points which the Management has been constantly working towards. In addition to this, the Management is also committed to expand the product profile, enter new markets and continue investment in R&D which are anticipated to further strengthen the company's market position and deliver sustainable long-term growth. All the triggers mentioned above including the niche business, aggressive expansion plans, changing product mix, anticipated enhanced margins and return ratios profile coupled with the hope of Moringa to be a successful business in near or distant future, we initiate a **BUY (high risk high gain)** on the stock with a target price of Rs12 with a horizon of 12 months.

Exhibit 22: Price v/s Nifty



Source: Ace Equity, Progressive Research

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